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IN THE

Supreme Court of the United States

OCTOBER TERM 1985

HART SCHAFFNER & MARX AND ROOTS, INC.,
Petitioners,

v.

NATURAL FOOTWEAR LIMITED, DON GREEN AND MICHAEL BUDMAN,
Respondents.

PETITIONERS' REPLY BRIEF

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PETITIONERS' REPLY BRIEF

Respondents' brief is based on two contentions, both of which are fallacious. Respondents (hereinafter "Natural") contend first that petitioners (hereinafter "Roots") have ignored "seminal and directly applicable decisions of this Court", but the decisions to which Natural refers, *Hanover Star Milling Co.* v. *Metcalf*, 240 U.S. 403 (1916) and *United Drug Co.* v. *Theodore Rectanus Co.*, 248 U.S. 90 (1918) actually support Roots' argument. Natural also contends that the appellate court merely set aside the findings of the trial court and remanded, but the opinion shows that the Court of Appeals made its own findings after a state-by-state analysis of the facts relating to Roots' right to use ROOTS for footwear.

THE DECISIONS OF THIS COURT SUPPORT ROOTS' ARGUMENT, NOT THE HOLDING OF THE COURT BELOW.

Natural's brief misrepresents both Roots' position and the holding of the court below.[1] Petitioners have never argued that "mere *de minimus* usage" precludes another's use of a mark. Nor did the Court of Appeals deny Roots relief only in

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[1] Natural also falsely claims Perry Root was petitioners' only trial witness; whereas in fact the testimony of two of Roots' former advertising directors was also of record (See A-82).

those areas where it found Roots' use was *de minimus*. Roots' argument is simple: the test for acquisition of trademark rights is prior use which is greater than *de minimus*[2]. The test is not a detailed and extensive showing of "market penetration", as required by the Court of Appeals. Neither is it one of market reputation, as Natural now urges.

This Court's decisions in *Hanover Star Milling Co.* v. *Metcalf*, 240 U.S. 403 (1916) and *United Drug Co.* v. *Theodore Rectanus Co.*, 248 U.S. 90 (1918) support Roots' position, not the Third Circuit's "market penetration" test. This Court consistently has held that a trademark owner is entitled to protection of its mark "[i]nto whatever markets the use of the trade-mark has extended, or its meaning has become known." *Hanover Star Milling*, 240 U.S. at 415-16. Roots requests no more. It seeks protection of its mark in those areas where its goods have been sold, but the Court of Appeals, by its "market penetration" test held that more must be shown. Where as here, however, Natural subsequently began selling its goods in areas where Roots had been using its mark for decades, "it is correct to say that prior appropriation settles the question." *Hanover Star Milling*, 240 U.S. at 415. This Court, in *Hanover Star Milling* and *United Drug Co.* did not inquire into the quantum of use in the disputed area by each party, but simply who was prior in that area.

In this case, the Court of Appeals found that Roots' prior use of its mark in New York and Pennsylvania was not *de minimus*. Relief was denied in those states, nonetheless, simply because the use was not substantial enough to meet the court's newly articulated "market penetration" test.[3]

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[2] Natural quotes *Federal Telephone & Radio Corp.* v. *Federal Telephone Corp.*, 180 F.2d 250, 251 (2d Cir. 1950) as saying "no such doctrine exists." In fact, the doctrine Judge Hand stated did not exist was the doctrine that a prior user of a word such as "Federal" could preclude its use by another without a showing of likelihood of confusion or other harm.

[3] While Roots disputes the propriety of the appellate fact-finding engaged in below, it is not disputed that *de minimus* use would not entitle a party to prevent subsequent good faith use by another.

This requirement of a threshold standard, other than use greater than *de minimus*, is contrary to *Hanover Star Milling Co.* v. *Metcalf*, 240 U.S. 403 (1916), *United Drug Co.* v. *Theodore Rectanus Co.*, 248 U.S. 90 (1918) as well as the cases listed in Roots' opening brief.

Natural also relies on the decision in *Sweet Sixteen Co.* v. *Sweet "16" Shop, Inc.*, 15 F.2d 920 (8th Cir. 1926) to support its argument that "market penetration" is the requisite test. Contrary to Natural's argument, the court there granted an injunction against a subsequent user's use in Salt Lake City based upon the prior user's catalog sales into the area, while noting that "the business done in Utah was, in proportion to its total business, negligible." 15 F.2d at 921. The court stated as follows, 15 F.2d at 925:

> It is enough, we think, if the article with the adopted brand upon it is actually a vendible article in the market, with intent by the proprietor to continue its production and sale. It is not essential that its use has been long continued, or that the article should be widely known, or should have attained great reputation. The wrong done by piracy of the trade-mark is the same in such case as in that of an article of high and general reputation, and of long-continued use. The difference is but one of degree, and in the quantum of injury. A proprietor is entitled to protection from the time of commencing the user of the trade-mark.

This is precisely the standard on which Roots has relied.

The other decisions cited by Natural for the proposition that the Third Circuit's "market penetration" test does not conflict with the law of the other circuits (p. 12) similarly fail to support its position, with the possible exception of *Sweetarts* v. *Sunline, Inc.*, 436 F.2d 705 (8th Cir. 1971) which is discussed in Roots' opening brief (pp. 11-12).[4] In the other

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[4] *Wrist-Rocket Mfg. Co.* v. *Saunders Archery Co.*, 578 F.2d 727 (8th Cir. 1978) is inapposite in that it involved the question of splitting trademark rights between former joint venturers.

decisions, relief was granted or denied based not on whether the prior user had "achieved significant market penetration," as Natural states, but rather on whether the party seeking relief proved it had made use, or use greater than *de minimus*, in the particular area.[5]

CONTRARY TO NATURAL'S ASSERTION, THE COURT OF APPEALS ENGAGED IN FACT-FINDING RATHER THAN REMANDING ALL FACTUAL ISSUES.

Natural does not dispute that the appellate court devotes a major portion of its opinion to a lengthy statement of the facts and analysis thereof. Neither does Natural dispute that the court's statement and analysis is replete with factual misstatements.[6]

Natural argues that the court simply concluded that the record would not support the district court's grant of a nationwide injunction and that "contrary to petitioner's

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[5] Natural also argues that Roots must prove secondary meaning (although Natural need not) because Roots derived its mark from a surname. There is, however, no such legal requirement where the mark is not perceived as a surname, as Natural admits is true here (A-54). *Williamson-Dickie Mfg. Co.* v. *Davis Mfg. Co.*, 251 F.2d 924 (3d Cir. 1958). Moreover, the rule requiring secondary meaning for surnames is without meaning here since "one of the same name may have a defense of inherent right to use [but] one with a different name should not be heard to demand that secondary meaning must be established by a prior user." *In re Nantucket, Inc.*, 677 F.2d 95, 105 (C.C.P.A. 1982).

[6] While Natural accuses Roots of "nitpicking" by complaining about factual misstatements, the court's misstatements of *undisputed* facts highlight the unsuitability of appellate courts as fact finders. Moreover, misstatements such as the court's repeated statement that Natural obtained its federal registrations in late 1973 rather than the actual date of October, 1974 are key in view of the fact the court found it was the crucial time period for evaluating the parties' rights respecting footwear.

assertion, [the court] did remand the case for further findings" (p. 23). The court, however, did not simply remand to the district court for entry of findings pursuant to its new test. Instead, the court made its own findings in a state-by-state analysis to determine the scope of relief to which Roots was entitled respecting footwear. (A-122-A-132). In these actions, the court departed severely from the accepted and usual course of judicial proceedings.

THE PETITION SHOULD BE GRANTED

The decision of the Court of Appeals conflicts with the decisions of this Court and those of the other circuits on the fundamental question of whether protectable trademark rights are derived simply from use greater than *de minimus* use or instead are derived from use that results in "market penetration." Unless corrected, this conflict as to the very foundation of trademark rights must necessarily generate widespread legal mischief, confusion and doubt.

The Court of Appeals engaged in extensive fact finding instead of remanding to the district court the issues it considered incorrectly decided. Indeed, most of its lengthy opinion consists of detailing its own evaluation and analysis of the facts of record.

CONCLUSION

For the foregoing reasons, as well as the reasons set forth in its opening brief, petitioners request that their Petition for Writ of Certorari be granted.

Respectfully submitted,

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